

## Message Text

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13-12

ACTION EA-09

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SUBJECT: AGREEMENT REACHED ON DELAYED 1975 JAPANESE AID TO ROK

REF: SEOUL 0027, 75 TOKYO 18240, TOKYO 1232

SUMMARY: ROK NEGOTIATOR CONFIRMS AGREEMENT WITH GOJ ON \$78.3 MILLION IN AID AND UP TO 660 MILLION IN JAPAN EXIM FINANCING FOR POHANG AND YOSU PROJECTS DURING THIRD WORKING LEVEL CONFERENCE. THE SHAVED DOWN PACKAGE REGARDED AS SATISFACTORY IN VIEW OF GOJ SUPPORT FOR COMMERCIAL PROJECTS. END SUMMARY

1. ASSISTANT MINISTER FOR ECONOMIC COOPERATION YI SON-KI (LEE SUN-KI) OF ECONOMIC PLANNING BOARD WHO HEADED ROK DELEGATION TO THE THIRD WORKING LEVEL CONFERENCE AT TOKYO JANUARY 21-22 CONFIRMED TO EMBOFF PRESS REPORTS THAT GOJ HAD AGREED TO A DELAYED 1974-75 AID PACKAGE OF \$78.3 MILLION AS WELL AS TO PROVIDE CRITICAL JAPAN EXIM BANK FINANCING UP TO \$660 MILLION STAGED OVER A THREE-YEAR PERIOD FOR POHANG STEEL COMPANY EXPANSION AND YOSU (YOCHON CHEMICAL PLANT) PROJECTS.

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JMOF VIEW REPORTED SECOND REFTEL PREVAILED AND CONCEPT

OF LOWER OFFICIAL JAPANESE AID BUT INCREASING PRIVATE COOPERATION FOR YEARS AHEAD WAS ACCEPTED BY ROK REPRESENTATIVES.

2. AID FROM THE JAPANESE OVERSEAS ECONOMIC COOPERATION FUND IS TO BE PROVIDED IN 1976 FOR AGRICULTURAL DEVELOPMENT (\$42 MILLION), SHINPOK RAILROAD DOUBLE TRACKING (\$14.3 MILLION), AND TELECOMMUNICATIONS MODERNIZATION (\$22 MILLION). LEE INDICATED THAT ALTHOUGH THE AMOUNTS WERE NOT AS HIGH AS HE TRIED FOR, HE IS "A LITTLE BIT HAPPY" WITH THE SHAVED DOWN PACKAGE. HE NOTED THAT SUCH BYPASSED PROJECTS AS THE SEOUL SUBWAY EXTENSION WOULD BE PICKED UP AGAIN IN 1976 DISCUSSIONS.

3. THE ASSISTANT MINISTER STATED THAT JAPANESE EXIM FINANCING OF THE POHANG STEEL COMPANY IS BASED ON EXPANSION TO 5.5 MILLION TON CAPACITY AND INVOLVES \$113 MILLION COMMITTED IN JFY 1975 AND \$223 MILLION IN JFY 1976 FOR A TOTAL OF \$336 MILLION. THE CONSTRUCTION OF THE YOCHON CHEMICAL PLANT AT YOSU WILL INVOLVE COMMITMENTS OF \$22 MILLION IN JFY 1976, \$240 MILLION IN JFY 1977, AND \$60 MILLION IN JFY 1978 FOR A TOTAL OF \$322 MILLION. THEREFORE, ON AN ANNUAL BASIS, IN ADDITION TO THE \$113 MILLION ALREADY PROVIDED FOR POHANG, JAPAN EXIM GUARANTEED LOANS FOR THESE PROJECTS WILL TOTAL \$245 MILLION IN 1976, \$240 MILLION IN 1977, AND \$60 MILLION IN 1978 FOR A GRAND TOTAL OF \$658 MILLION UNDER A GENERAL CEILING OF \$660 MILLION FOR THE TWO PROJECTS. HE NOTED THAT INASMUCH AS THE AVAILABILITY OF CRITICAL EXIM GUARANTEES FOR THE TWO PROJECTS HAD EARLIER BEEN IN DOUBT, ROK OFFICIALS CONSIDER THAT A GOOD BARGAIN HAS BEEN STRUCK WHICH AUGURS WELL FOR SIGNIFICANT GOJ PARTICIPATION IN KOREAN DEVELOPMENT DURING THE FOURTH PLAN TO BEGIN IN 1977.

4. EMBASSY TOKYO REPORT JUST RECEIVED (THIRD REF) APPEARS CONSISTENT WITH ABOVE, ASSUMING SMALL DIFFERENCES IN DOLLAR FIGURES ARE DUE TO USE OF DIFFERENT LIMITED OFFICIAL USE

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EXCHANGE RATES.  
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## Message Attributes

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